

Chief, Industrial Division, ORR

5 November 1958

Chief, Military Economics Branch, D/I

Activity Report for October 1958

A. Status of branch projects

25X1D1a

25X1A9a

1. 39.2380, Used for the Allocation of Soviet Military Expenditures.

The draft of this project has been completed and is undergoing branch review.

25X1A9a

2. 29.2381, Soviet Military Manpower 1947-1958.

The draft of this project is in process of completion. It will be completed in November.

25X1A9a

3. 39.2382, Soviet Military Personnel Pay.

The draft of this project has been completed and is being reviewed in the branch.

25X1X7

25X1A9a

4. 39.2427, Preparation for the Fourth Land Armaments Conference.

This project was completed on 24 October 1958. Materials for use at the Conference were transmitted 15 October 1958.

25X1A6a

B. Status of support projects

25X1A9a

1. 00.2416, Gaps in Information Requirements.

The first part of this project submitted 29 October 1958.

25X1A9a

2. 10.1806, Soviet Capabilities and Probable Courses of Action Through 1963.

An informal preliminary contribution was previously submitted. The project is being held open during ORR consideration.

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3. 10.1805, GDR Contribution to NIE 11-4-58, Military-Economic Expenditures of the USSR 1955 - 1963. [REDACTED] 25X1A9a

Calculations and draft have been prepared. This project will be distributed as IP-643 the week of 3 November 1958.

4. 30.1830, NIE 13A East Germany, Section 64 Manufacturing and Construction. [REDACTED] 25X1A9a

At the request of I/MI, the following parts of the Army contribution were reviewed: C, Automobile and Tractor; F, Explosives; G, Weapons and Ammunition.

5. 30.2431, Re-examination of Intelligence on Soviet ICBM Production and Deployment Program. [REDACTED] 25X1A9a

An informal contribution was submitted to I/OM on 15 October 1958.

C. Changes in estimates

The new calculation of estimated Soviet military expenditures (distributed on 4 November in IP-643) is as much as ten percent lower in certain years as compared with the previous calculations made for NIE 11-4-57 (published in IP-572).

The new series also shows a "break" in the trend of Soviet military expenditures in 1957-1958, something never displayed heretofore. A comparison of this new trend with the trend of machinery output in the Soviet Union implies the possibility of a significant amount of machinery being produced for which no account can be made. Barring some explanation due to the statistical method of constructing the index, this relationship implies the possibility of a significant understatement, either of Soviet investment and growth or of Soviet military procurement. In either of the last two events, the evaluation of Soviet trends and capabilities could be affected in important ways.

D. Relationships with other components

Dr. Fossony (AFICIN) was briefed 30 October 1958 on military costing with regard to available data, results achieved to date and problems related to the analysis of pricing, taxes, budget definition. It was suggested by Dr. Fossony that a joint briefing of the Library of Congress, Air Information Staff, be carried out in the near future. This will be completed in November. Dr. Fossony also raised the advisability of collaboration of GDR and [REDACTED] on military expenditure problems with particular emphasis on air force. He will consult [REDACTED] and suggest a formal arrangement be established. Action on this aspect will occur in the beginning of December.

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E. Future plans

Nothing to report.

F. Other problems and Recommendations

Nothing to report.

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